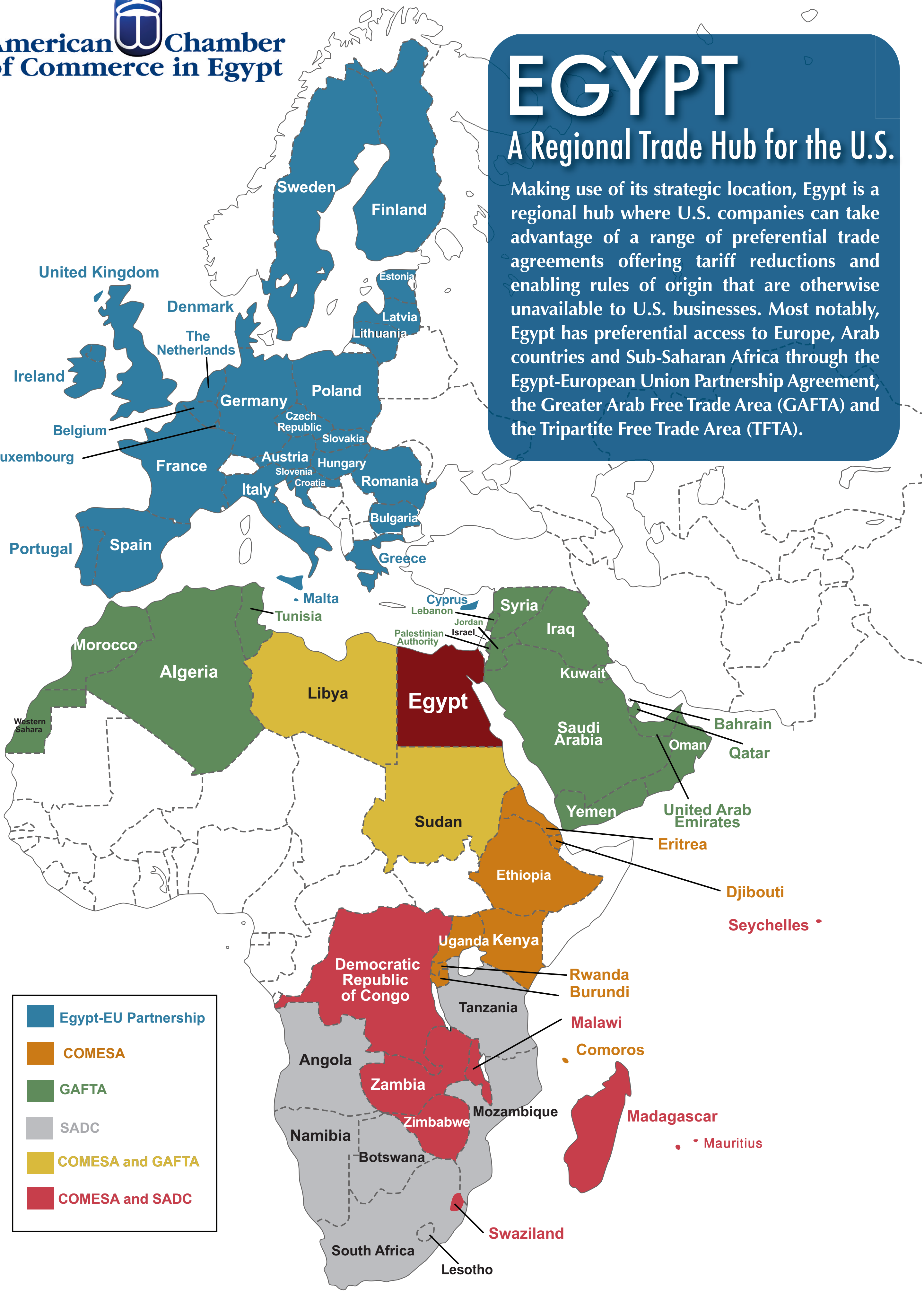
American Chamber of Commerce in Egypt

EGYPT

A Regional Trade Hub for the U.S.

Making use of its strategic location, Egypt is a regional hub where U.S. companies can take advantage of a range of preferential trade agreements offering tariff reductions and enabling rules of origin that are otherwise unavailable to U.S. businesses. Most notably, Egypt has preferential access to Europe, Arab countries and Sub-Saharan Africa through the Egypt-European Union Partnership Agreement, the Greater Arab Free Trade Area (GAFTA) and the Tripartite Free Trade Area (TFTA).



Note: EAC countries (Burundi, Kenya, Rwanda, Tanzania and Uganda) are all members of either COMESA or SADC.

EGYPT: A Regional Trade Hub for the U.S.

Egypt is party to the Agadir Agreement, the EFTA, the European Union-Egypt Association Agreement, GAFTA, Mercosur and the TFTA Agreement, as well as numerous bilateral trade agreements with individual countries.

The Egypt-EU Partnership

- Egypt and the EU signed the Association Agreement in 2001, which came into force in June 2004. Also referred to as the Partnership Agreement, this will establish a free trade area by 2019. An agreement on further liberalization of trade in agricultural products entered into force in June 2010.
- All industrial goods exported from Egypt to the EU are exempt from tariffs.
- EU export tariffs on industrial products will gradually be dismantled over a period of 12 to 15 years.
- Under table four of the agreement which came into force in 2010, European cars face customs of 60%, with further cuts making cars of European origin duty free by 2019. All products falling under the third tranche of the agreement have also now been declared duty free.
- While the value-added criteria set in the EU can be as high as 75% for sensitive products such as textiles and apparel, U.S. companies can benefit in certain sectors, such as agriculture and processed foods, where Egypt faces substantially lower tariffs on exports.
- Local component requirements (a minimum of 60% from Egypt or the EU) for the rules of origin under Mediterranean countries also allow for the use of inputs from third countries (diagonal accumulation of origin) for the remaining content.

The GAFTA Agreement

- Egypt entered the Greater Arab Free Trade Area (GAFTA) trading bloc, also referred to as the Pan Arab Free Trade Area (PAFTA), in 1998. As of 2005, all 18 GAFTA members are exempt from all customs duties and charges between the Arab countries.
- GAFTA countries are currently engaged in negotiations to liberalize services and investments (with the exception of Sudan and Yemen).
- The percentage of value-added required to confer origin is 40% of the ex-factory cost. Local labor is counted as added value, and Egyptian assembly of U.S. parts constitutes transformation to meet the origin requirements under GAFTA.
- Local component requirements under the GAFTA rules of origin also allow for the use of inputs from all other members (diagonal accumulation of origin).
- GAFTA countries combined have an annual GDP of around USD 2.8 trillion and a population of around 385 million people.

The TFTA Agreement

- The Tripartite Free Trade Area (TFTA) agreement was signed in June 2015 in Sharm el Sheikh, Egypt, to create a free trade area among members of the three African trade pacts—the Common Market for Eastern and Southern Africa (COMESA), East African Community (EAC) and Southern African Development Community (SADC)—stretching geographically from Cairo to Cape Town.
- TFTA gives Egypt access to seven additional African nations along with the other 18 countries of COMESA, to which Egypt has been a signatory since 1998.
- The 26 TFTA countries combined account for 58% of Africa's GDP (approximately USD 1.3 trillion) and 57% of its total population (632 million) and will open new markets for Egyptian engineering products, textiles, chemicals, furniture and agricultural products.
- TFTA is scheduled to come fully into force in 2017 to allow for gradual tariff alignments by member states before trade in goods becomes totally free.

Updated April 2016